



Orange County Transportation Authority

Fiscal Year 2021-22 Budget Workshop Questions & Answers

1. Question: What compensation categories are available for administrative employees?

Answer: There are two compensation pools under which an administrative employee can be recognized, which are the merit pool and the special award pool. The merit pool is available for management to provide base building increases for employees based solely on the employee's annual performance. A merit increase is not guaranteed, and it is the only form of base building increase available for an administrative employee. Administrative employees do not receive any cost-of-living or step increase adjustments.

The special award pool provides management the opportunity to reward an employee based on individual outstanding achievements throughout the year. This award is a lump sum award and is non-base building.

2. Question: How did OCTA handle the merit and special award pools in the current fiscal year (FY) budget?

Answer: Due to the economic uncertainty surrounding the onset of coronavirus (COVID-19), management suspended the merit and special award programs for FY 2020-21.

3. Question: What are the two different categories of coach operators at OCTA?

Answer: OCTA directly operates 60 percent of fixed-route bus service and utilizes a contractor to operate 40 percent of the service. Both OCTA employed coach operators and the contracted coach operators are represented employees and subject to separate collective bargaining agreements. OCTA is only party to the collective bargaining agreement for OCTA employed coach operators. The collective bargaining agreement for the contracted coach operators is handled by the contractor, currently First Transit.

Question: Why are Los Angeles – San Diego – San Luis Obispo (LOSSAN) salaries and benefits are increasing by 18 percent and OCTA salaries and benefits only increasing by three percent?

Answer: The increase in LOSSAN salaries and benefits are comprised of the net effect of various factors including proposed merit, special awards, benefit costs, and changes in proposed staffing levels. In addition, unlike the amended budget, the proposed budget includes a full year's cost impact of changes in the LOSSAN programs staffing structure. OCTA is fully reimbursed by the State for LOSSAN salaries and benefits costs.



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4. Question: Why is interest expense lower in the FY 2021-22 proposed budget when compared to the current FY 2020-21 budget?

Answer: OCTA's budget includes debt service from three programs, which are the Measure M2 (M2) Program, 91 Express Lanes Program, and the 405 Express Lanes Program. Both the M2 and 91 Express Lanes Programs have fixed-rate, level debt structures. However, the budget for the 405 Express Lanes debt is currently based on estimated drawdowns from a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. OCTA did not need to make the anticipated drawdown in FY 2020-21, which lowered the actual interest expense in FY 2020-21 and FY 2021-22. As a result, the budget in FY 2021-22 reflects an anticipated lower interest expense given the lack of a drawdown in FY 2020-21.

5. Question: Explain the use of prior year's designations to fund capital expenditures?

Answer: OCTA's major operating programs such as the Bus, Rail and 91 Express Lanes programs typically do not issue debt to fund their capital expenditures. Each year these programs save (designate) funds as part of the budget process to fund future capital expenditures. In any given year, each of these programs saves (designates) funds for future capital expenditure, as well as spends funds that were saved in prior years (use of prior year's designations) to fund capital expenditures in the budget year. For example, in the FY 2021-22 budget it is anticipated that the bus program will save \$47.8 million for future capital expenditures, but also spend \$19.1 million in prior year's designations to fund capital expenditures in the budget year.

6. Question: Is the proposed budget balanced without any unplanned use of reserves?

Answer: Yes, the proposed budget is balanced without any unplanned use of reserves.

7. Question: Does approval of the proposed budget authorize the approval of any specific project?

Answer: The budget does not approve specific projects but rather implements OCTA's programs and projects based on prior Board of Directors (Board) direction. Approval of the budget appropriates funds for the FY and is only one step in expending funds, because procurement guidelines must also be met. For example, even though an item is included in the budget, procurement policy requires that all procurements greater than \$250,000 must be approved by the Board. As a result, almost all items included within the budget will come back to the Board through the procurement process.



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8. Question: Does the proposed budget allow OCTA to continue to deliver on the promises made under M2?

Answer: Yes. The budget is consistent with both the Next 10 Plan and Comprehensive Business Plan, both of which have been recently approved by the Board. These plans both demonstrate OCTA's ability to deliver the M2 Program as promised.

9. Question: Does the proposed budget advance any new debt?

Answer: The budget does not include any new debt issuances.

10. Question: What is the current debt coverage ratio for OCTA's debt?

Answer: Debt coverage ratios for the M2 and 91 Express Lanes Programs are included in the table below:

Program	FY 2019-20 Actual	FY 2020-21 Estimate	FY 2021-22 Budget
M2	5.6x	5.4x	5.6x
91 Express Lanes	3.5x	3.1x	2.4x

11. Question: OCTA's budget is balanced with no unplanned use of reserves, please explain what is meant by no unplanned use of reserves?

Answer: OCTA has a board-approved reserve policy which outlines the reserve requirements for each of its operating programs, which include the Bus, 91 Express Lanes and Motorist Services programs. The policy provides the operating, capital and debt service (if applicable) reserve requirements for each program. OCTA has fully funded the operating, capital and debt service reserve requirements for each of these programs. The FY 2021-22 budget was developed and balanced without any draws from the operating and debt service reserve funds for these programs. In addition, each year OCTA designates (saves) funds to pay for future capital expenditures. In future budgets, when the capital projects need to be funded, OCTA draws from the capital reserves to pay for the planned expense. This draw on reserves is considered a planned use of reserves. The FY 2021-22 budget anticipates drawing \$296 million from reserves (prior year savings) to pay for planned capital expenditures included in the budget. Though this is a draw on reserves, the funds were saved in prior years in anticipation of the expense in the current budget year and is therefore a planned use of reserves. As a result, OCTA's budget does not have any unplanned use on reserves included in the budget.